

KAUPTHING BANK | COMPANY PROFILE | FEBRUARY 2006

Overview

Kaupthing Bank is a northern European bank offering integrated financial services to companies, institutional investors and individuals. These services include corporate banking, investment banking, capital markets services, asset management and comprehensive wealth management for private banking clients.

The Bank operates in ten countries, including all the Nordic countries, Luxembourg, Switzerland, the UK and the US. In addition the Bank operates a retail franchise in Iceland, where it is headquartered.

Kaupthing Bank is currently among the eight largest banks in the Nordic region in terms of market capitalization. Through sound organic growth and strategic acquisitions like the UK bank Singer & Friedlander in 2005 and FIH Erhvervsbank in Denmark in 2004, Kaupthing Bank has fortified its position to provide outstanding services to its client base in the UK, the Nordic countries and elsewhere in northern Europe. The Bank has 2400 employees and total assets of €34 billion (as of 31 December 2005).

- The Bank maintains five core business areas: Asset Management & Private Banking, Investment Banking, Capital Markets, Treasury and Banking
- Kaupthing Bank is the largest bank in Iceland, where it is headquartered
- Recent acquisitions include FIH Erhvervsbank in Denmark in 2004 and UK bank Singer & Friedlander in 2005.
- Moody's rating of 'A1' and Fitch rating of 'A'
- Kaupthing Bank shares listed on the Iceland Stock Exchange (ICEX) and Stockholm Stock Exchange (OMX) under the ticker symbol KAUP

Income Statement

m. EUR	2005	2004
Net Interest Income	438	244
Net Commission Income	300	178
Net Financial Income	499	219
Other Income	120	27
Net Operating Income	1,357	669
Salaries and related Cost	-272	-172
Total Operating Cost	-193	-144
Impairment	-59	-51
Net Profit Before Taxes	834	301
Income Tax	-150	-57
Net Earnings	683	244

Balance Sheet

Assets m. EUR	31 Dec 2005	1 Jan 2005
Cash balance with Central banks	467	85
Loans and Advances	23,284	15,454
Mortgage Loans at FV	161	425
Securities	7,979	3,620
Intangible Assets	736	470
Other Assets	1,387	756
Total Assets	34,014	20,809

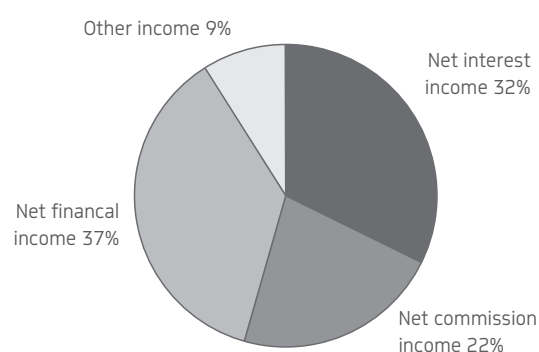
Liabilities

Deposits	6,508	2,707
Other Liabilities	23,419	15,204
Minority Interest	111	128
Subordinated Loans	1,375	771
Shareholders' Equity	2,600	2,000
Total Liabilities and Shareholders' Equity	34,014	20,809

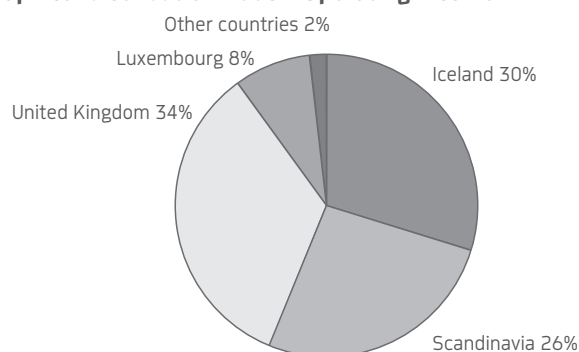
Integrated financial services in ten countries

	Employees (31 Dec 05)	Investment Banking	Capital Markets	Treasury	Banking	AM & PB
Iceland	1,046					
UK	574					
Sweden	284					
Danmark	190					
Finland	95					
Luxembourg	109					
Norway	46					
Faroe Islands	12					
US	8					
Switzerland	4					
Total	2,368					

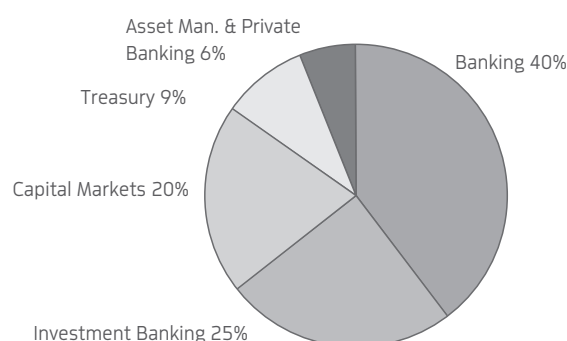
Income distribution 2005



Geographical distribution 2005 - Operating Income



Operating income by division 2005



Key ratios at year end 2005

EPS 2005	ISK 75.2
Price/Earning	9.9
Price-to-book	2.6
Return on equity	34.0%
Cost/Income	34.1%
CAD Ratio	12.2%
Tier 1 Ratio	9.4%
Number of Employees	2.368
Deposits/Liabilities	23.7%
Loans/Assets	68.9%
Market risk/risk base	17.2%

Number of shares	664,553,053
Dividend per share	10
Dividend yield	1.34%
Payout ratio	13.5%
Number of Shareholders	33,027
Total return in 2005	70.3%
Volatility last 52 weeks	69.9%
Average daily volume	EUR 23.5 m
Velocity	65.1%

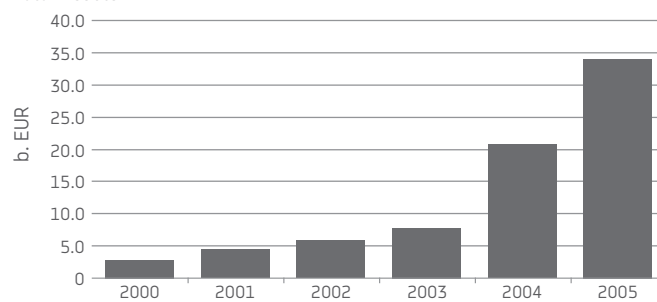
Key business objectives

- Maximize the Bank's value and long-term shareholder value
- Achieve at least 15% long-term return on equity
- Sustain solid growth without compromising profitability
- Maximize income per employee
- Develop and maintain dependable, long-term relationships with clients
- Continue to incorporate the latest information technology into present systems, thereby improving the Bank's competitiveness.
- Employ motivated, well-educated and enterprising staff who are experts in their respective fields
- Continue to develop the Bank's workforce as its most valuable resource
- Continue international growth across broad ranges of income streams
- Be one of the prime investment and corporate banks in northern Europe

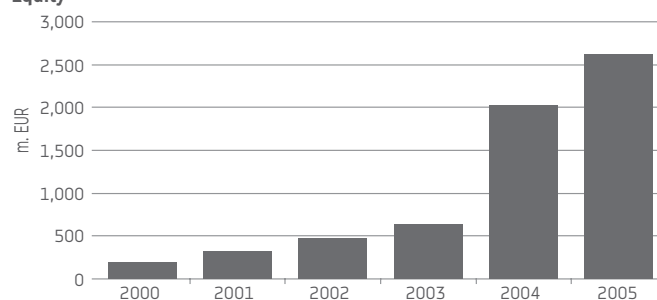
Recent acquisition history

- 2005: UK acquisition of Singers & Friedlander
- 2004: Acquired FIH Erhvervsbank in Denmark
- 2003: Merged with Búnadarbanki Íslands
- 2002: Acquired Aragon in Sweden
 - Acquired JP Nordiska in Sweden
- 2001: Acquired Sofi in Finland

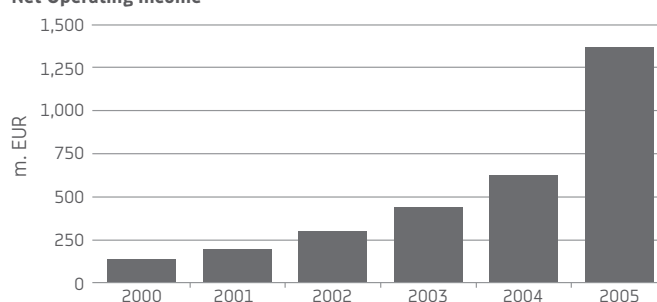
Total Assets



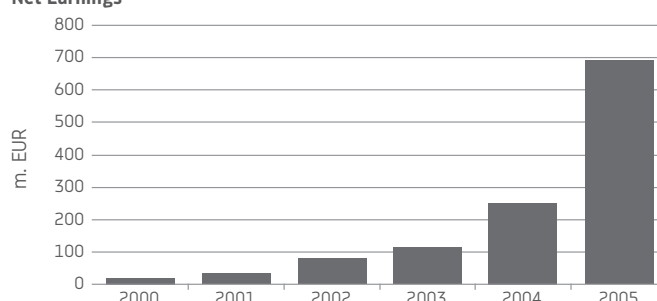
Equity



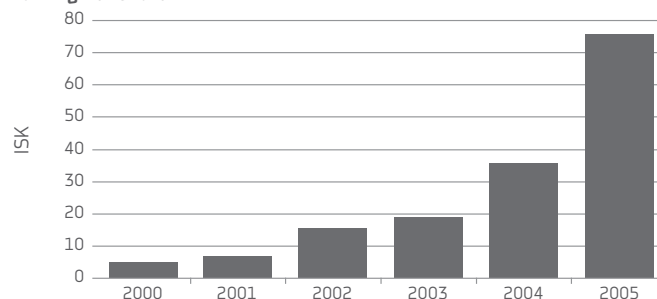
Net Operating Income



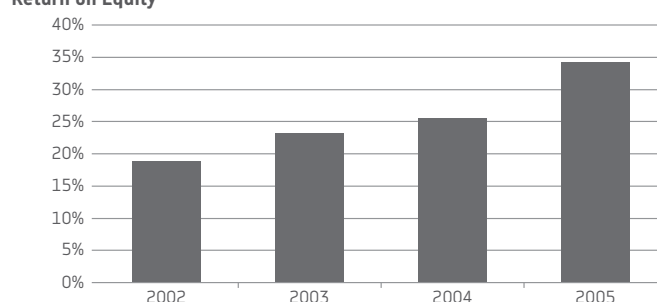
Net Earnings



Earning Per Share



Return on Equity



Main areas of activity

Investment Banking

Offers various services to corporate clients through its four main product areas: M&A advisory, capital markets transactions, acquisition and leverage finance, and principal investments.

Capital Markets

Activities are broadly divided into two divisions, Institutional Sales and Proprietary Trading. Institutional Sales executes orders from institutional clients as well as placing equity and bond offerings. Proprietary Trading trades on the Bank’s own accounts in bonds and equities on the international securities markets and also acts as a market maker.

Treasury

Kaupthing bank Treasury is divided into the inter-bank trading desk, the funding desk, the derivatives desk, and FX and derivatives sales.

Banking

Separated into two divisions: Corporate and Retail. Corporate Banking offers companies a range of service including advice and assistance in connection with financing. Companies are provided with short-term and long-term loans as well as credit facilities. Kaupthing Bank has retail banking operations in Iceland. This division is responsible for traditional retail banking with a focus on individual customers and smaller businesses.

Asset Management & Private Banking

Manages financial assets for institutional, corporate and private clients. Asset management is organized into three units: alternative and mutual fund management, asset management for institutional investors, and services for institutional investors. Private Banking offers dedicated comprehensive wealth management for private clients, comprised of two units: customers relations and portfolio management.

How does Kaupthing Bank deliver shareholder value?

- Well diversified earnings both in terms of geography and income streams
- Short reporting lines, open communication and quick decision-making
- Flat organizational structure – culture of empowerment
- Always looking for new ideas – but profitability and prudence drive decision making
- Highly qualified staff vested with the interests of the company as shareholders
- Strong risk management

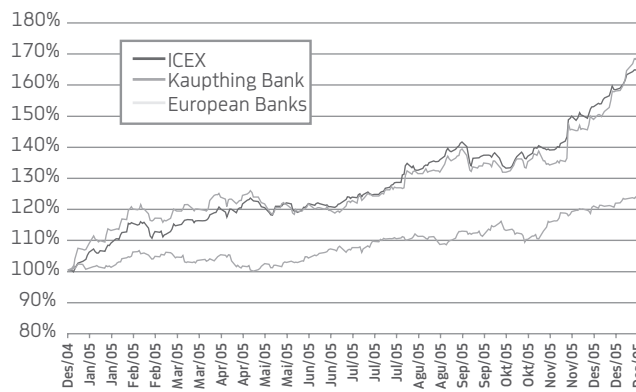
Management

Executive Chairman Sigurdur Einarsson. CEO Hreidar Már Sigurdsson

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Contact info for UK enquiries. Brunswick Group LLP. Tel. 44 207 404 5959. Kaupthing Bank’s website: www.kaupthing.net

Share performance of Kaupthing Bank in 2005 compared with the ICEX 15 index and European Bank index

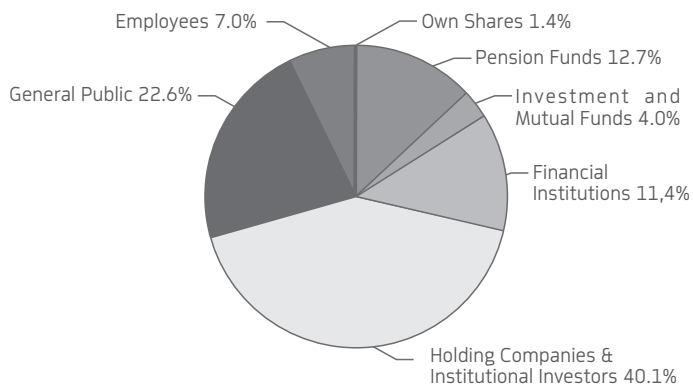


Share listings

Kaupthing Bank is listed both on the Iceland Stock Exchange (ICEX) and the Stockholm Stock Exchange (OMX).

Icelandic Stock Exchange (2000)	Stockholm Stock Exchange (2002)
Trading Currency: ISK	Trading Currency: SEK
Tickers: KAUP	Ticker symbol: KAUP
Weight in ICEX15: 34.5%	Weight in SX40 Financials: 0.32%
Bloomberg ID: KAUP IR	KAUP SS
Reuters ID: KAUP IC	KAUP ST

Main Group of Shareholders as of 1 February 2006



Outlook

- Positive economic outlook for the countries where the Bank operates
- Asset quality is continuously improving and impairment has been on the decline
- Efforts underway to integrate operations of the British bank Singer & Friedlander into Kaupthing Bank’s other activities in the UK
- Strong pipeline in Investment Banking
- Continuance of prudent growth strategy while ensuring profitability